

Testimony

of

Afshin Mohebbi

**President and Chief Operating Officer
Qwest Communications International Inc.**

Before

The Committee on Financial Services

March 20, 2002

My name is Afshin Mohebbi and I am President and Chief Operating Officer of Qwest Communications International Inc. I want to thank you for inviting us to appear today at your hearing on the effects of the Global Crossing bankruptcy.

Permit me to tell you a little about Qwest. Qwest is a local telephone company with 25 million customers. We provide local telephone service in a 14-state area throughout the West. We have 60 thousand employees and annual revenues of more than \$19 billion. About eighty percent of our revenues and more than 90 percent of our profits come from our local phone service. We also provide data and long-distance services to businesses in 27 cities outside the 14-state local service area. And, we are the nation's fourth-largest long-distance company.

Six of the country's 10 fastest-growing states have Qwest as their local phone company. Qwest completes 240 million phone calls and carries 600 million e-mails daily. In addition, we have about a half-million high-speed Internet service customers; a million wireless customers; a large Yellow Pages business; and a product line that ranges from the most basic telephone service to the most sophisticated Internet and data technologies available.

As described below, Qwest has a state of the art worldwide fiber optic network in the United States, Asia and Latin America and, through its related company KPNQwest, in Europe. In addition to its fiber optic network, Qwest has sixteen web hosting centers that safeguard the critical data of banks, corporations, health care providers and government agencies among others. Qwest does business with 60 percent of the Fortune 1,000 companies.

Qwest developed its 190,000 mile domestic and international fiber optical network mainly to service multinational business customers. Qwest's optical network is among the most advanced in the world. More than 4.2 billion megabits of traffic travel across the network at any given time.

Qwest's strategy in building its domestic network was to provide facilities for our own use as well as constructing facilities for sale. Conduit, fiber and capacity sales have paid for substantial portions of the cost of building our US network.

As we completed our domestic network, we began to expand overseas. We made decisions whether to build or buy these international facilities based upon analyses of time and cost. We purchased facilities to connect our network to Europe, Asia, and Latin America.

It was in this context that we entered into IRU transactions with Global Crossing and others. The IRUs Qwest sold to Global Crossing were principally on domestic routes we built to sell. The IRUs Qwest purchased from Global Crossing enabled us quickly and cost-efficiently to build out our network internationally to locations that we could not otherwise serve.

An IRU is an Indefeasible Right of Use, which is the exclusive right to use a specified amount of capacity or fiber for a specified period of time, usually 20 years or more. An “indefeasible right” is one that cannot be revoked or voided. IRUs are for specific point-to-point assets. IRUs are not services and are generally asset sales. Once sold, they belong to the customer and cannot be moved without the consent of the customer. An IRU allows the purchaser to carry voice, data, and video traffic on that specific fiber or channel.

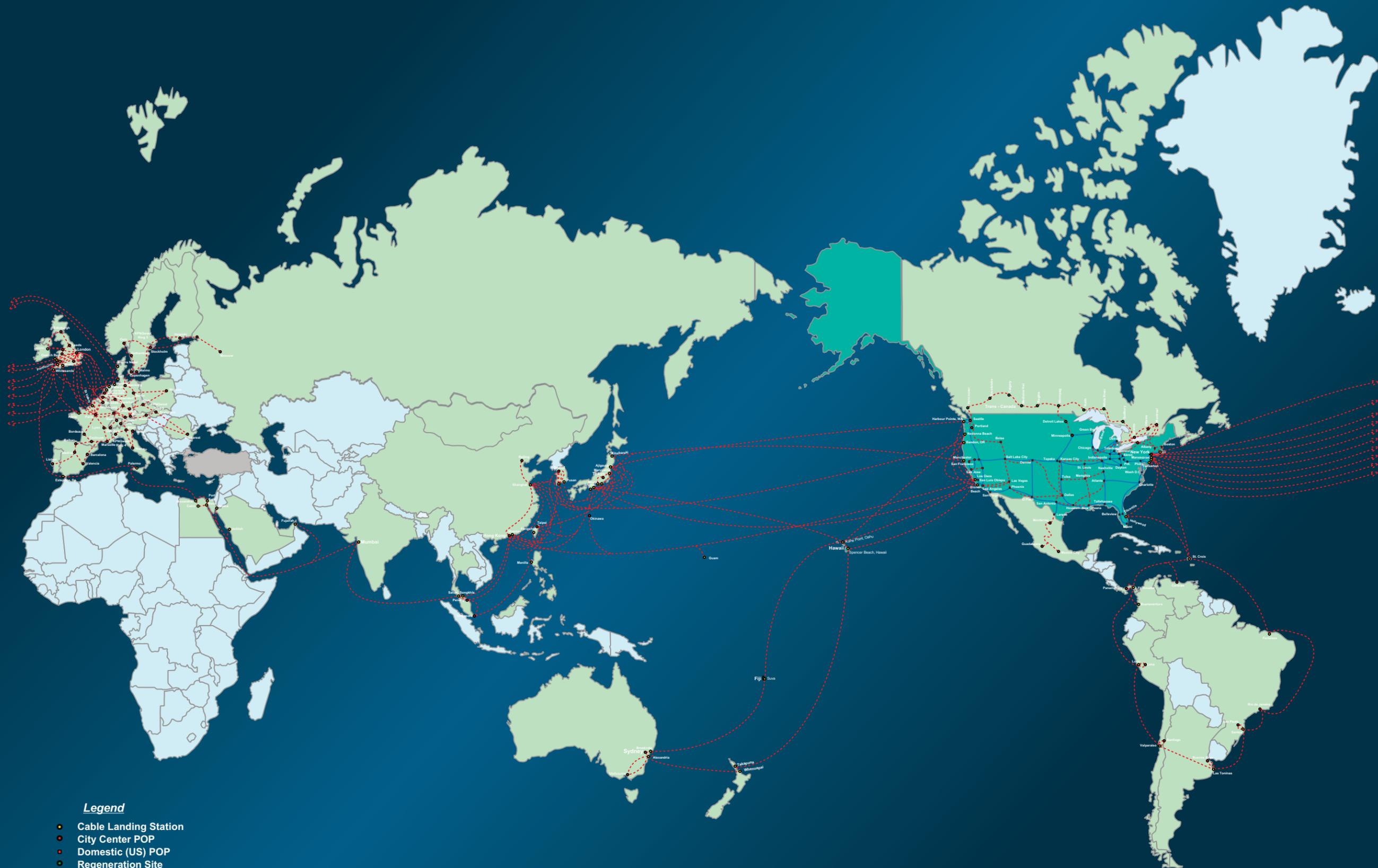
In some cases, Qwest enters into two transactions that occur at the same time: one to sell IRUs to companies and a second to acquire optical capacity from such companies. The agreements for the sale of such optical capacity are separate legal agreements that are enforceable regardless of whether the other company performs under the separate purchase contract.

In accounting for the purchase and sales of IRUs, Qwest complies with generally accepted accounting principles (GAAP). Qwest’s auditors review our IRU transactions in the context of reviewing our financial statement each quarter. When Qwest sells IRUs the customer receives the exclusive right to a specific asset, and the risks and rewards of ownership pass to the buyer. Under the relevant accounting rules, Qwest recognizes revenue when Qwest delivers the asset, the buyer accepts it, and Qwest receives adequate consideration. Where the purchase and sale transactions occurred at the same time, Qwest applied the more restrictive rules for revenue recognition on what the accountants call “nonmonetary transactions.” The revenues attributable to IRU sales that occurred at the same time as purchase of an IRU in 2000 and 2001 were approximately 2 percent and 3.5 percent of total reported revenues, respectively.

Qwest publicly disclosed the network expansion plans and the nature, size, and accounting treatment of the IRU transactions undertaken to further that strategic objective. In various press releases and filings with the Securities and Exchange Commission, Qwest made appropriate disclosure of the existing of the IRU transactions and the way Qwest accounted for them.

In conclusion, as part of our business strategy to build a worldwide fiber optic network, we bought and sold IRUs. When appropriate and in compliance with GAAP, we recognized revenue – as well as cost – from these transactions when we entered into them. And although IRUs were not a material component of our revenues in the last two years, we publicly disclosed them and how we accounted for them.

We are proud of the state of the art network we have built and the service it enables us to provide, and I will be glad to try and answer any questions you may wish to ask me.

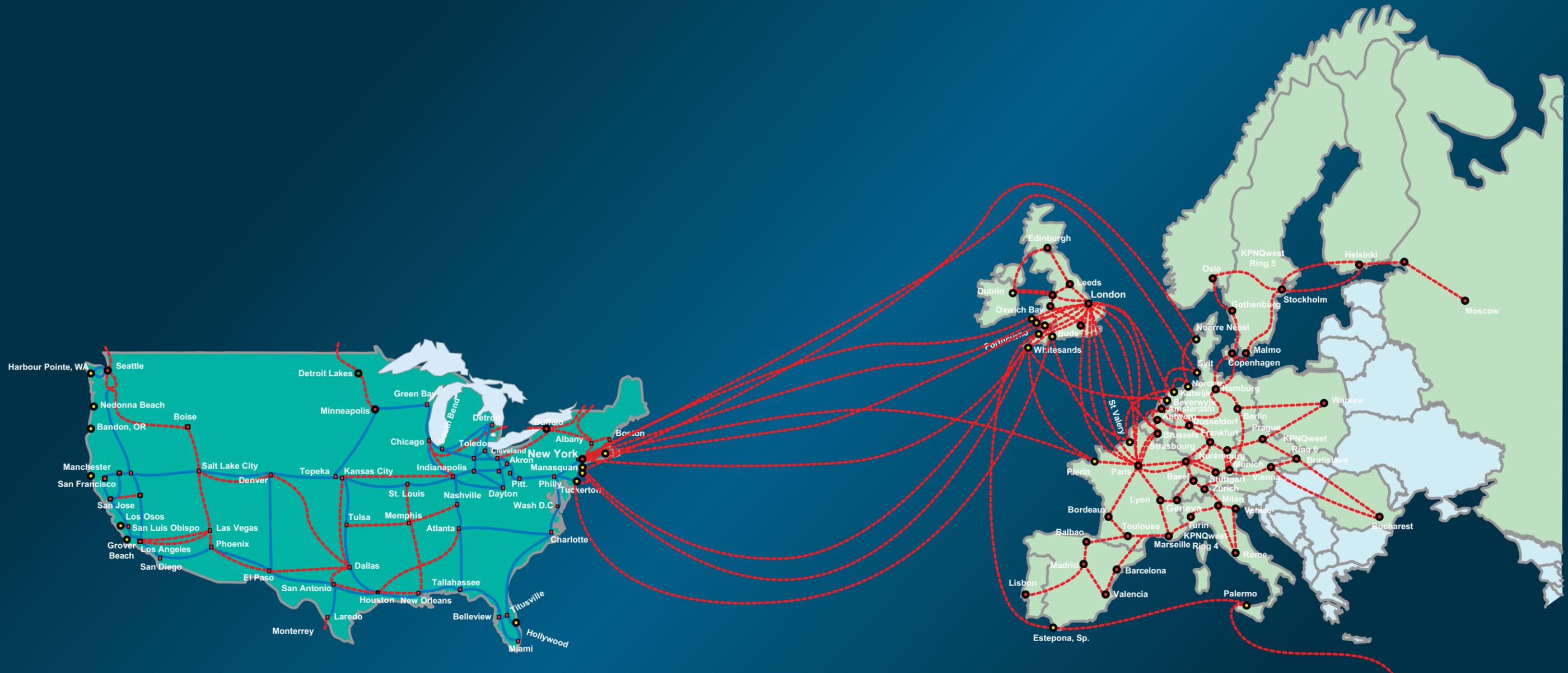


Legend

- Cable Landing Station
- City Center POP
- Domestic (US) POP
- Regeneration Site
- Qwest built network
- - - Qwest purchased network

Qwest Communications International
Global Network - MARCH 2002

Number of Major Cities Connected Worldwide:	195 +
Total Fiber Route Miles:	190,000 +



Legend

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Qwest Communications International

United States / Europe Network - MARCH 2002